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11 January 1961

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CENTRAL INTELLIGENCE BULLETIN



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State Dept. review completed

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CENTRAL INTELLIGENCE BULLETIN

11 January 1961

DAILY BRIEF

I. THE COMMUNIST BLOC

*USSR: The next congress of the Soviet Communist party, the 22nd, has been set for October by the central committee plenum which opened in Moscow on 10 January. The congress--formally the party's highest forum--was apparently originally scheduled to meet earlier but was postponed in view of the change-over in US administrations and to allow the Soviet leadership to digest the results of its confrontation with the Chinese Communists last November. An announcement of the congress indicates that Khrushchev will speak on the two principal agenda topics and thus will dominate the proceedings. Frol Kozlov, member of the party's presidium and secretariat, is also slated to deliver a key report to the congress, a fact which appears to reinforce substantially the likelihood that he occupies second place in the Kremlin hierarchy.

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Communist China:

[China realizes the pace of its industrialization program has been "too fast." In the railway industry, for example, development plans have been revised downward "considerably." This information is in line with other indications that the Chinese economy has been having trouble sustaining the pace of development envisaged by the regime since 1958. Agriculture has had its second successive poor year, and industry has been plagued with various problems, complicated by the withdrawal of Soviet technicians in August. Furthermore, the 1960 capital construction plan probably was not fulfilled.]

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II. ASIA-AFRICA

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Arab States - France: At Nasir's behest the UAR National Assembly has urged all Arab governments to sever economic and political relations with France and to nationalize French properties in protest over Algeria. This appears to be the opening move of a new campaign against the French in the Arab states, and Nasir may soon follow up the assembly's action by nationalizing French investments and expelling French nationals, [redacted]

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South Korea: The Chang Myon government is concerned over increasing public opinion that favors some direct contact with North Korea. Some leaders of the conservative opposition, at a loss for issues to differentiate their party from the administration, are advocating exchanges with the Communist North--a line Pyongyang has belabored with repeated offers of economic assistance. A small but vocal minority of intellectuals and students advocates neutralization of all Korea as a possible solution to the South's chronic economic problems. Seoul may be forced to propose social and economic exchanges of a sort unacceptable to the North to combat continued Pyongyang propaganda designed to stimulate dissatisfaction among the South Koreans.

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III. THE WEST

West Germany: Officials of the West German Foreign Ministry favor only a partial lifting of last September's Allied restrictions on travel of East Germans to NATO countries until further assessment can determine whether East German controls over West German access to East Berlin will be eased. Following reinstatement of the interzonal trade agreement on 29 December, Bonn officials consider East German actions "not yet satisfactory." West Berlin Mayor Brandt is reportedly optimistic, however, that the East Germans will further ease their stand. While French officials in Bonn have urged Paris to accept the West German position, the British representatives have instructions to press for immediate relaxation of Allied controls in order to allow an East German trade mission to come to London by mid-January, but have reported German views without comment.

Belgium: US Embassy officials in Brussels expect the Belgian strikes, now in the fourth week, to be broken within the next two weeks. Meanwhile, there is a growing danger of violence and sabotage, particularly in the Walloon area of southern Belgium. Socialist party and labor union leaders are

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reportedly seeking a face-saving way out of the strike, which has hurt the party's popularity and electoral chances. Elections are likely before mid-1961, since King Baudouin is reportedly anxious to build a government of "new men" and get rid of Premier Eyskens.

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Soviet Party Congress

The Soviet party central committee, meeting in Moscow on 10 January, convoked the next party congress--the 22nd--for 17 October 1961. Khrushchev was heard to say on 2 January at the Cuban National Day reception that the congress had been put off until late in the year because of delay in establishing contact with the incoming US administration.

Although Khrushchev did not allude to the recent difficulties with the Chinese, this factor also plainly figured in the delay of the party meeting. The importance of the Chinese problem has been demonstrated in recent weeks by an extensive series of regional briefings on the November Communist conference by top party leaders. A report on this subject has now been added to the agenda of the central committee's current plenum on agriculture.

The agenda set for the forthcoming congress indicates that Khrushchev will dominate the proceedings with two major speeches. He will give, as is customary for the party first secretary, the report of the central committee which will sum up developments since the last regular congress--in early 1956--and lay down the basic lines of Soviet domestic and foreign policy for the next four years. In addition, he is scheduled to present a new party program to the congress.

The program, thought of as a long-term guide for the entire international Communist movement, was ordered prepared by the 20th congress in 1956, and is to replace the long-outdated one adopted in 1919. Decisions to draw up a new program have been made by every regular congress beginning with the 18th in 1939 but have never been implemented. Khrushchev probably intends the new program to stand as one of his major contributions to the course of Communist development and an important monument to his leadership.

Frol Kozlov, member of the party presidium and secretariat, is slated to present a proposed revision of the party

rules to the congress. The selection of Kozlov to deliver this key report tends to confirm previous indications that he is the number-two man in the Kremlin hierarchy. The last major revision of the rules, made at the 19th congress in 1952, was reported on at that congress by Khrushchev.

The congress is also scheduled to elect a new central committee. Over five years will have elapsed since the present central committee was elected, and significant changes have occurred in the political standing of a very large percentage of the members. [redacted]

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Communist China Said to Have Revised Economic Plans

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Communist China realizes that the pace of its industrialization program has been "too fast." [redacted] the pace of industrial expansion, stepped up greatly in 1958, has overburdened technicians and administrators "beyond the limits of endurance" and led to inadequate planning and coordination. The resulting difficulties have forced the regime to revise downward its economic development plans. In the railroad industry, for example, development plans are said to have been revised downward "considerably," with one important improvement postponed from 1961 to mid-1963.]

[This information is in line with other indications that China's economy has been having trouble sustaining the rapid pace of development exacted since 1958. In 1960, agriculture, still the most important single sector in the economy, had its second poor year in a row; light industry, which depends heavily on agriculture for raw materials, did not meet its production targets; and heavy industry had more than its usual share of problems. Shortages of industrial raw materials have probably affected current output, lags in capital construction have affected the rate at which new industrial capacity is being added, and continued denial to CPR of Soviet technicians who were withdrawn during the summer would necessitate a fundamental revision of existing plans for industrial development.]

[In 1960, the appellation "leap forward" was applied only to those increases scheduled for heavy industry; goals for agriculture and light industry were not said to fit under this definition. If Peiping's future plans for heavy industry envisage significantly smaller increases in output, the economic development plan known as the "leap forward" will have lost its last vestige of reality.] [redacted]

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UAR Takes Lead in Anti-French Campaign

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Nasir has taken the first big step in an anti-French campaign which may lead to concerted Arab action against French interests in the Near East. Following Nasir's instructions, the UAR National Assembly on 9 January called on all Arab governments to sever relations with France and to nationalize French properties in protest against the Algerian war. [redacted] the assembly's action may be followed by UAR moves to resequester French assets seized at the time of Suez, nationalize other French investments, and expel French nationals.

25X1 Other Arab states are unlikely to follow Nasir's lead immediately. The issue is likely to be discussed at the Arab League foreign ministers' conference in Baghdad on 28 January. French policy on Algeria and [redacted]

[redacted] have already been widely denounced in the Arab world. Any Arab leader failing to go along with the UAR initiative would risk strong public disapproval.

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25X1 Among the more severe measures available to the Arabs would be Iraqi nationalization of France's 23.75-percent share of the Iraq Petroleum Company, a move already being urged by the UAR-influenced Lebanese press. A boycott of French vessels at Arab ports could probably be undertaken effectively. The UAR-dominated International Confederation of Arab Trade Unions has such a move under consideration. [redacted]

[redacted]

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Growing Pressure for Korean Unification

[The Chang Myon government is concerned that an increasing segment of public opinion favors some direct contact with North Korea. Although South Korean economic conditions are improving, a small but vocal minority of intellectuals and students is propagating the idea that unification based on a vague formula of Korean neutralization offers the only solution to the country's chronic economic difficulties. In addition, some leaders of the conservative opposition, at a loss for issues to differentiate their party from the administration, are advocating exchanges with the North.]

[There is a widening rift between the older generation and some of the younger educated group, who recall little of Communist actions in the Korean war and favor some sort of accommodation with the North. Furthermore, despite South Korea's continued strong friendship for the United States, a few student leaders are blaming their country's difficulties on its continued close ties with the US. There also is some indication that discontent among the civilian youth is spreading to the military, particularly to the younger officers.]

[In recent months North Korean propaganda on Korean reunification has reached an all-time high. Kim Il-sung called last August for a loose federation of North and South Korea and a joint economic commission to be composed of representatives from both sides. Since that time Pyongyang has bombarded the South with aid offers and detailed remedies for South Korea's economic problems. Growing South Korean agitation for contacts with the North probably will lead to a further increase in Communist efforts to incite popular dissatisfaction with the Chang Myon government.]

[Seoul's ruling party and responsible opposition leaders have agreed to the establishment of a citizens' council on unification. The government also is attempting to implement extensive economic reforms designed to stem dissatisfaction and]

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(promote public confidence. Seoul may be forced to counter Pyongyang's propaganda overtures with proposals of its own for social and economic exchanges of a sort unacceptable to the North.)

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Belgian Strikes

Observers in Brussels expect the Socialist-instigated strikes now in their fourth week to be broken within the next two weeks. The back-to-work movement continues in Flanders and Brussels, and there are some signs of lassitude even among the strikers in the south.

The government, which has recently asserted that there is a systematic plan of sabotage, has recalled more troops from Germany and ordered the police to use "more firmness." The Socialist party has countered by urging the strikers to fight to the finish and to topple the government. However, Socialist leaders, realizing that the party's electoral prospects are being adversely affected by the growing public bitterness, are seeking a face-saving way out. In addition, there are serious dissensions within the General Federation of Belgian Workers (FGTB) and the Socialist party between the Walloon strike leaders, who are reluctant to admit defeat, and the more moderate leaders who only reluctantly went along with the strikes once they had started.

There is, however, danger of more violence and sabotage. Serious riots occurred recently in Liege and Mons, and André Renard, deputy secretary general of the FGTB, continues to threaten to withdraw caretaker crews maintaining fires in the blast furnaces.

Even if the strikes are settled soon, the Eyskens government appears doomed, and new elections are likely in the spring. After the strikes are over, the Roman Catholic trade unions (CSC), which have loyally supported the government, are likely to demand such modifications of the omnibus bill that Eyskens will be replaced. King Baudouin reportedly is anxious to get rid of Eyskens and hopes to build a government of "new men" which would seek to heal the cleavage between the Walloon south and the Fleming north.

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